



FAIRFAX COUNTY

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V I R G I N I A

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Honorable Board of Supervisors
County of Fairfax
Fairfax, Virginia 22035

Madame Chairman, Ladies and Gentlemen:

It is my pleasure to submit for your review and consideration the Fairfax County *Advertised Capital Improvement Program (CIP) for Fiscal Years 2003 – 2007, with Future Fiscal Years to 2012*. The Capital Improvement Program, or CIP, is an important document, one that is linked strategically to the Comprehensive Plan and to the County's financial planning process. The CIP should reflect not only the needs of our organization but also the goals and priorities of our community.

The CIP has served us well for many years in identifying capital needs; however, this year I felt that it was time to review and enhance the process as a planning tool and to strengthen the connection between the CIP and the goals and objectives envisioned in the Policy Plan portion of the Comprehensive Plan. The goals encompass a number of areas and provide a strategic direction.

The Policy Plan Goals for Fairfax County

**From the 2000 edition of the Policy Plan: The Countywide Policy Element
of the Comprehensive Plan of Fairfax County, Virginia**

Quality of Life	Land Use	Transportation	Environmental Protection	Energy Conservation
Growth and Adequate Public Facilities	Adequate Public Services	Affordable Housing		
Economic Development and Employment Opportunities	Education	Human Services		
Culture and Recreation	Open Space	Revitalization	Regional Cooperation	
Private Sector Facilities	Public Participation	Financial Planning and Management	Monitoring Goals	

In addition, as each year passes, we have seen facility maintenance backlogs and community service requirements increase

significantly. At the same time, projected resources for the ten-year planning horizon clearly will not be sufficient to accommodate all the capital needs outlined in the CIP. Finally, we have some immediate needs that require priority consideration for funding.

My goals in reviewing the CIP process were three-fold:

- First, ensure that we have a proper balance between protecting our existing investments in facilities and infrastructure, and meeting the needs related to future growth;
- Second, in the face of our growing needs and our limited resources, develop a refined process that more clearly identifies and prioritizes capital needs based on new criteria and guiding principles, and to allocate resources accordingly; and
- Third, in conjunction with the Board's request for an in-depth review of the County's debt capacity, determine the extent to which our debt capacity could be responsibly adjusted to fund our growing list of capital needs.

Accordingly, I am recommending the following enhancements designed to improve the review process and to better address our growing needs.

1. Principles of Sound Capital Improvement Planning

I am recommending adoption of the *Principles of Sound Capital Improvement Planning* (Table A). These principles will serve as the foundation for our new CIP process, linking the process with the goals as articulated in the Policy Plan of the *Comprehensive Plan*. As a statement of need, the CIP must reflect not only the need for new facilities required to handle growth, but incorporate planning and funding for maintenance, renewal and replacement of existing facilities. The proposed Principles of Capital Improvement Planning provide this balanced approach. The principle of life cycle planning for all facilities is established with a commitment to invest in long-term infrastructure renewal and maintenance. The Principles acknowledge the role of capital infrastructure in promoting economic vitality and stress the key role of public review. Lastly, the Principles link the CIP to the *Ten Principles of Sound Financial Management*.

2. Criteria for Recommending Future Capital Projects

In conjunction with the Principles of Sound Capital Improvement Planning, I am proposing new *Criteria for Recommending Future Capital Projects* (Table B). These criteria will serve as a guide for evaluating and prioritizing future capital projects to be included in the Advertised Capital Improvement Plan. The intent is to formalize and standardize the CIP process using current best practices and accepted standards, while maintaining a degree of flexibility to meet unforeseen or immediate needs that may arise. Application of these criteria will ensure that each project recommended for Board consideration does indeed support the policy objectives of the Comprehensive Plan and identifies a basis for scheduling and allocation of resources. As always the Board will have the final word on priorities. The objective is to ensure that the CIP reflects not only what is needed and when, but also what is possible and a commitment for completion.

3. Increase in Debt Capacity

An in-depth review of the County's debt capacity was completed in accordance with the Board's direction to review the *Ten*

Principles of Sound Financial Management. This review demonstrated that the County could reasonably increase its annual bond sales from \$150 million to \$200 million per year. The actual bond sale limit of \$150 million per year has not been adjusted since 1988. This increase is possible within the approved ratios (debt service below 10 percent of General Fund disbursements and net debt below 3 percent of estimated market value) as well as within the limits of existing resources. As of June 30, 2001, the ratio of debt service to General Fund disbursements is 8.6 percent and net debt as a percentage of estimated market value is 1.43 percent. The option to increase the portion of annual revenues allotted to debt service to the full 10 percent allowed by current Board policy is only possible by diverting funds from other operating programs.

Based on this review, I am recommending approximately one-third, or \$70 million per year, be reserved for County projects and \$130 million per year for Schools projects in the CIP. The increase to \$200 million per year will be sufficient to support the issuance of the remaining \$235 million of the County's authorized but unsold bonds, but is inadequate to complete both County and School needs.

10-year Bond Capacity at \$200 million/year	\$2.0 billion
Schools 10-year Allocation at \$130 million/year	\$1.3 billion
County 10-year Allocation at \$70 million/year	\$700 million
Less County Committed but Unsold Bonds	\$235 million
Total Available to the County next 10 years	\$465 million *

* Approximately \$115 million available FY 2003–2007 and \$350 million available FY 2008– 2012

Concurrently, staff has been reviewing the future capital needs for the County. For planning purposes, preliminary estimates have been developed and indicate a projected requirement of a minimum of \$2 billion. To date, approximately 150 capital projects (i.e., fire stations, libraries, human service facilities) and programs (i.e., walkways, streetlights, storm drainage programs) have been identified for future requirements. Of this amount, preliminary cost estimates have been developed for approximately 60 percent or 87 projects and programs. Concept design for the remaining 40 percent or 63 projects and programs is required and cost estimates must be developed. It is expected that funding requirements will grow as cost estimates are refined. The 10-year advertised School program identifies \$1.8 billion in school needs, much of which will be addressed within the debt capacity allocated for schools (\$1.3 billion). However, the remaining capacity of \$465 million will not be sufficient to fund County requirements of more than \$2 billion. A debt capacity analysis will be conducted annually in conjunction with the development of the CIP. As in the past, the staff will recommend adjustments to debt capacity as necessary to match changes in the revenue base.

In addition to analyzing our debt capacity, a similar effort will be necessary to identify the appropriate level of General Fund support and other sources of revenue for the County's "pay-as-you-go" program. It will be critical to commit a consistent level of funding to address these needs over many years. Many of the projects may not be suitable candidates for long-term borrowing and should be funded from current revenues.

Proposed Bond Referenda for Fall 2002

At the same time that we are developing this enhanced planning tool, we must be able to respond to circumstances that arise or opportunities that may present themselves. For example, the tragic events of September 11th compel us to review security in current and future facilities and make necessary building/construction modifications. Opportunities for acquisition of open space cannot be deferred as land values continue to increase. Finally, market cost escalations must be taken into account when establishing priorities for provision of facilities. Accordingly, I have included in this year's CIP two proposed bond referenda for the Board's consideration in the areas of Parks and Public Safety.

Parks: The \$20 million Park bond referendum proposed for 2002 would be for land acquisition and development of recently acquired properties. As noted during deliberations on the FY 2002 – 2006 CIP, there is a need to act quickly to acquire land for the preservation of open space before escalating market prices become prohibitive. The Board and the Park Authority have cooperated to acquire over 2,700 acres of open land since FY 2000. Additional acres are pending acquisition through a variety of means. Funds are required to secure and begin to realize the recreational potential of this newly acquired space.

Public Safety: The \$60 million Public Safety bond referendum also proposed for 2002 would address a number of issues, including reconstruction and renovation of the outdated Emergency Operations Center and the overcrowded Public Safety Communications Center, which are now my top priorities to achieve the highest state of readiness possible in the wake of the events of September 11th. In addition, expansion of the Hazardous Materials response capability is necessary. Additional fire stations are needed to maintain response times as population grows in newly developed areas of the County, and improvements are needed for other public safety facilities. Lastly, this referendum would include the funds necessary to renovate the existing Jennings Building and the old courthouse.

There are many additional requirements that may also be candidates for referenda within the next five years. Among these are support for the Metro Infrastructure Renewal Program anticipated to total \$140 million, requests from the Park Authority of \$75 to \$100 million, anticipated requests from the Northern Virginia Regional Park Authority to continue the County's annual capital contribution and necessary construction and renewal of County libraries. The enhanced CIP process will address the appropriate scheduling of these needs in the context of the funds available.

Conclusion

Enhancing our approach to the CIP will be an evolving process over the next few years. Projects currently approved and allocated will remain in the CIP. Future projects and those with no commitment of funding, however, will be tested through these new principles and criteria. As we apply these new principles and criteria, we will make adjustments and updates as necessary.

The outcome of this effort is intended to be a more comprehensive and cohesive approach to capital planning that will lead to the development of a longer-range forecast of capital needs. With this enhanced process, the County will have a blueprint for development of public facilities that will become the foundation of a more responsive capital planning process that more effectively supports the priorities and goals of the Board and the community.

Respectfully submitted,

Anthony H. Griffin
County Executive